

A Levy Equalization Primer

**An explanation of levy
equalization and its rationale**

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The issue levy equalization addresses:

A local school levy is calculated as a percent of most state and federal dollars a district receives. Current law allows all districts to collect at least 24 percent of their funds locally but vastly different tax rates are needed to get the levy.

In 2010, Bellevue could pass a 24 percent levy with a tax rate of 64 cents per thousand assessed property valuation. It costs a \$1,000,000 home in Bellevue \$640 in taxes for a 24 percent levy in 2010.

In 2010, if there was no levy equalization, the Toppenish School District (with 78% Hispanic students and 97% poverty rates) would have needed a tax rate of \$13.92 per thousand for a 24 percent levy. It would have cost a \$100,000 home in Toppenish \$1,392 for a 24 percent levy without LEA.

The equity problem: If there was no levy equalization in 2010, a \$100,000 home in Toppenish would have paid over twice the taxes of a \$1,000,000 home in Bellevue for a 24 percent levy. Why should far poorer taxpayers in a \$100,000 house have to pay twice the taxes of a \$1,000,000 Bellevue home to get the same local levy for their schools?

What equalization does to address the issue:

Levy equalization (also known as “local effort assistance” or LEA) provides a state match to “property poor” school districts to lower the property tax rate needed to collect the first half of a 24 percent levy. The intent is to lessen differences in taxes paid for local levies.

For LEA purposes, “property poor” districts are those which need a tax rate higher than the state average tax rate needed for the first half of the allowable 24 percent levy (i.e. the average tax rate for a 12 percent levy). In 2010, the state average tax rate for a 12 percent levy was \$1.008 per thousand assessed property valuation.

Toppenish, with LEA, needs only \$1.008 per thousand to collect a 12 percent levy. The state provides a match through levy equalization to make up the difference between what \$1.008 raises and what a 12 percent levy would be. The second half of the levy is not equalized.

With LEA for the first half, the tax rate needed for a 24 percent levy in Toppenish in 2010 was lowered from \$13.92 to \$7.97 per thousand assessed valuation, and the tax on a \$100,000 home went from \$1,392 to \$797. The Toppenish rate is still over 10 times higher than the 64 cent Bellevue rate, but the difference is lessened considerably.

THAT’S IT! THAT’S LEA

Other facts / impacts of LEA:

- Levy equalization provides a state match so no district needs a tax rate higher than the state average for the first half of the levy.
- Equalizing the levy so no district needs a tax rate higher than the state average to raise the first half of the levy is part of a longtime compromise between rich and poor districts.
- Over 150 property poor school districts, even with LEA, fail to collect their full allowable 24 percent levy due to the poor tax base and lower personal incomes while most property rich districts collect their full levy, some grandfathered up to 33 percent.
- Guaranteeing full funding of levy equalization in the law needs to be required or budget writers at the end of each session will determine when it gets cut. It's been cut as much as a third by budget negotiators, until legislation passed requiring full funding.
- Levy equalization lessens the tax rate differences between rich and poor schools, but big differences remain. The poorest districts pay the highest tax rates to get comparable levy results. Differences range from 33 cents to \$48 per thousand for a 24 percent levy even with current levels of levy equalization. LEA only lessens the differences.
- Cutting levy equalization would increase already large differences and hurt only property poor school districts while richer districts maintain the same levies.
- Homeowners in \$150,000 homes in 40 school districts have to pay higher taxes than \$1,000,000 homes in Seattle, Mercer Island, and Bellevue to get the same 24 percent levy under current law; Homeowners in \$250,000 homes in 150 school districts have to pay higher taxes than \$1,000,000 homes in Seattle, Mercer Island, and Bellevue to get the same 24 percent levy under current law.
- Washington has the most regressive tax system in the country where the poorest pay the highest percent of their personal incomes in state and local taxes; Levy equalization returns to the poorest areas a portion of the higher tax effort they make.
- Property poor districts have far higher percentages of poor, Hispanic, and Native American students; state research shows property poor school districts have lower overall per student dollars to fund their schools even counting categorical funds; and poorer districts have lower academic scores (true in general, but exceptions exist).
- The poorer school districts have older texts, older technology, larger class sizes, less supplemental pay and fewer specialists, counselors, teacher assistants, secretaries, and administrators to assist teachers in the classroom.
- State research shows the poorest property poor school districts in Central Washington from Oroville to Grandview have the lowest levies and highest teacher turnover.
- Higher teacher turnover in the poorest school districts is not due to salary but due to work load. Teachers say they leave for greater chance at professional success in districts with more funds. Levies are the big difference for schools with greater funding.

Compare between poorest and richest*

This shows the 2010 tax on \$1 million homes in the 20 richest school districts, and the tax on \$100,000 homes in the 20 poorest districts to get a 24 percent levy, counting current levy equalization funding. *based on lowest and highest tax rates needed for a 24 percent levy.

Rank	Tax on \$1 million Home for 24% levy		
1) Orcas Island	\$ 332		
2) Shaw Island	\$ 378		
3) Lopez Island	\$ 454		
4) San Juan Island	\$ 470		
5) Cle Elum	\$ 560		
6) Seattle	\$ 632		
7) Bellevue	\$ 640		
8) Mercer Island	\$ 644		
9) North Beach	\$ 682		
10) Grapeview	\$ 686		
11) South Whidbey	\$ 756		
12) Easton	\$ 776		
13) Brinnon	\$ 818		
14) Evaline	\$ 840		
15) Blaine	\$ 870		
16) Ocean Beach	\$ 896		
17) Coupeville	\$ 900		
18) Cascade	\$ 920		
19) Anacortes	\$ 920		
20) Vashon Island	\$ 938		